

Office of the  
Legislative Fiscal Analyst

## **FY 2002 Budget Recommendations**

Joint Appropriations Subcommittee for  
Community Development and Human Resources

Department of Community and Economic Development  
**Business and Economic Development**

Contents:

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information



## 1.0 Summary: Business and Economic Development

These programs promote and develop Utah's economy.

	<b>Analyst FY 2002 Base</b>	<b>Analyst FY 2002 Changes</b>	<b>Analyst FY 2002 Total</b>
<b>Financing</b>			
General Fund	7,614,600		7,614,600
Federal Funds	300,000		300,000
Dedicated Credits Revenue	73,600		73,600
Beginning Nonlapsing	2,870,600		2,870,600
Closing Nonlapsing	(2,870,600)		(2,870,600)
<b>Total</b>	<b>\$7,988,200</b>	<b>\$0</b>	<b>\$7,988,200</b>
<b>Programs</b>			
Administration	840,400		840,400
Film Commission	721,000		721,000
International Development	1,198,500		1,198,500
National Development	480,700		480,700
Advertising and Promotion	234,300		234,300
Business Development	1,172,900		1,172,900
Procurement Technical Assistance	837,600		837,600
Technology	452,800		452,800
Centers of Excellence	2,000,000		2,000,000
Special Opportunities	50,000		50,000
<b>Total</b>	<b>\$7,988,200</b>	<b>\$0</b>	<b>\$7,988,200</b>
<b>FTE/Other</b>			
Total FTE	47		47

## 2.0 Issues: Business and Economic Development

### 2.1 Utah Sports Development Council

*Building Block:  
Sports Development  
Council*

Business, government, tourism and sports officials formed The Utah Sports Development Council. The Council functions with sports the way that the Salt Lake Convention and Visitors Authority functions with conventions. It is patterned after other sports councils, the most successful being the Indiana Sports Corporation which generates \$200,000,000 for Indiana's economy. Funding for the Utah Sports Development Council will come from member donations. The Analyst recommends an appropriation of \$100,000 that comes from the committee's base allocation. It is important that the council get off to a fast start so that the state can make best use of Olympic and other sports facilities. These funds will also show state involvement and support.

**General Fund .....\$100,000**

### 2.2 Olympic Related Promotion

Two and a half years before the 1996 Olympic Summer Games, Georgia formed a public-private partnership called Operation Legacy. The mission was to recruit targeted companies using the Olympics as a showcase. More than 400 CEO's came to Georgia. 22 foreign firms established headquarters in Atlanta in 1997. 35 companies are expected to relocate to Georgia bringing thousands of jobs and hundred of millions in investment. A Lou Harris survey of decision-makers voted Atlanta as the No. 1 place to relocate or expand a business in the global community. The Analyst would recommend \$2,000,000 in ongoing funds if funding were available. The Analyst considers this a once-in-a-life-time opportunity and recommends that it be one of the committee's highest priorities. The Division proposes to spend the funds as follows in FY 2002:

Hosting Center Lease	0
Hosting Center Staff	\$150,000
Hosting Center O&M	80,000
Hosting Center Restoration	100,000
Client Hosting/Entertainment	325,000
Torch Relay Sponsorship	0
Target City Receptions	175,000
DCI Media	100,000
Travel/Fam Tours	68,000
Publication Materials	150,000
Trade Advertising/Promotion	732,000
International Country Houses	20,000
Film Promotion	<u>100,000</u>
	<u>\$2,000,000</u>

## 2.3 Small Business Development Centers

Demand for services from the Small Business Development Centers has increased. The Analyst would recommend an additional \$163,000 in ongoing funds if funding were available. These funds would be distributed to the ten regional centers. From 1996-98, SBDC consultations assisted in the generation of more than \$77.2 million in increased sales and the creation of 1,224 new jobs. The Centers do not receive COLA adjustments as do other service providers. They have reduced operating budgets over the years.

## 2.4 Silicon Valley Alliance

In Silicon Valley there is a shortage of workers, housing is very expensive, and the highways are congested. By air, Utah is close-by and has an excellent airport, an excellent, highly educated workforce, a near-by infrastructure of higher education institutions, and an existing base of hardware and software companies. The original Silicon Valley Initiative is an attempt to get high-tech Silicon Valley companies to expand to Utah. The Governor's \$1,350,000 proposed expansion of the Silicon Initiative has several parts:

- \$500,000 for high-tech business incubator buildings in rural Utah.
- \$460,000 for marketing the Wasatch Front to Silicon Valley companies.
- \$250,000 to market rural Utah to Silicon Valley companies.
- \$100,000 for an office in Silicon Valley
- \$40,000 for DCED staff.

The Analyst believes that it is too early to market rural Utah directly to Silicon Valley businesses. The infrastructure of airport, higher education facilities, and the existing base of hardware and software companies is along the Wasatch front. The first step is to get them to Utah. If funding were available, the Analyst would recommend \$600,000 in General Fund as follows:

- \$460,000 for marketing the Wasatch Front to Silicon Valley companies.
- \$100,000 for an office in Silicon Valley
- \$40,000 for DCED staff.
- \$600,000

### 3.0 Programs: Business and Economic Development

#### 3.1 Administration

##### Recommendation

The Analyst recommends \$840,400. One-time funding already appropriated to FY 2001 is for Olympic promotion (\$1,100,000), the Sports Development Council (\$100,000), groundwork for Utah's Spaceport bid (\$300,000), a small amount (\$20,000) to get the Atlas Tailings removed, promotion of the Heritage Highway (\$200,000), and Smart Utah (\$100,000).

	2000	2001	2002	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	947,300	914,900	840,400	(74,500)
General Fund, One-time		917,200		(917,200)
Olympic Special Revenue	400,000	500,000		(500,000)
Beginning Nonlapsing	673,200	903,900	903,900	
Closing Nonlapsing	(903,900)	(903,900)	(903,900)	
<b>Total</b>	<b>\$1,116,600</b>	<b>\$2,332,100</b>	<b>\$840,400</b>	<b>(\$1,491,700)</b>
<b>Expenditures</b>				
Personal Services	469,900	353,700	345,700	(8,000)
In-State Travel	10,600	10,500	12,500	2,000
Out of State Travel	21,800	73,600	14,500	(59,100)
Current Expense	323,200	1,103,400	209,200	(894,200)
DP Current Expense	14,700	8,500	8,500	
Other Charges/Pass Thru	276,400	782,400	250,000	(532,400)
<b>Total</b>	<b>\$1,116,600</b>	<b>\$2,332,100</b>	<b>\$840,400</b>	<b>(\$1,491,700)</b>
<b>FTE/Other</b>				
Total FTE	7	5	5	

##### Purpose

Administration leads and coordinates economic development and ethnic affairs programs. Initiatives assigned to the Division include the Defense Conversion fund, Hill Field Right of Way and the Governor's Conference for Economic Development.

##### *Building Block: Sports Development Council*

Business, government, tourism and sports officials formed The Utah Sports Development Council. The Council functions with sports the way that the Salt Lake Convention and Visitors Authority functions with conventions. It is patterned after other sports councils, the most successful being the Indiana Sports Corporation with generates \$200,000,000 for Indiana's economy. Funding for the Utah Sports Development Council will come from member donations. The Analyst recommends an appropriation of \$100,000 that comes from the committee's base allocation. It is important that the council get off to a fast start so that the state can make best use of Olympic and other sports facilities. These funds will also show state involvement and support.

**General Fund .....\$100,000**

**Olympic Related  
Promotion**

Two and a half years before the 1996 Olympic Summer Games, Georgia formed a public-private partnership called Operation Legacy. The mission was to recruit targeted companies using the Olympics as a showcase. More than 400 CEO's came to Georgia. 22 foreign firms established headquarters in Atlanta in 1997. 35 companies are expected to relocate to Georgia bringing thousands of jobs and hundred of millions in investment. A Lou Harris survey of decision-makers voted Atlanta as the No. 1 place to relocate or expand a business in the global community. The Analyst recommends would recommend \$2,000,000 in ongoing funds if funding were available. The Analyst considers this a once-in-a-life-time opportunity and recommends that it be one of the committee's highest priorities. The Division proposes to spend the funds as follows in FY 2002:

Hosting Center Lease	0
Hosting Center Staff	\$150,000
Hosting Center O&M	80,000
Hosting Center Restoration	100,000
Client Hosting/Entertainment	325,000
Torch Relay Sponsorship	0
Target City Receptions	175,000
DCI Media	100,000
Travel/Fam Tours	68,000
Publication Materials	150,000
Trade Advertising/Promotion	732,000
International Country Houses	20,000
Film Promotion	<u>100,000</u>
	<u>\$2,000,000</u>

**Nonlapsing Intent**

The Analyst recommends the following intent:

*It is the intent of the Legislature that these funds not lapse.*

**Intent: Performance  
Measures**

*The Legislature intends that the Division develop performance measures for each program and where possible prepare a five-year history of those measures for the FY 2002 session.*

### 3.2 Film Commission

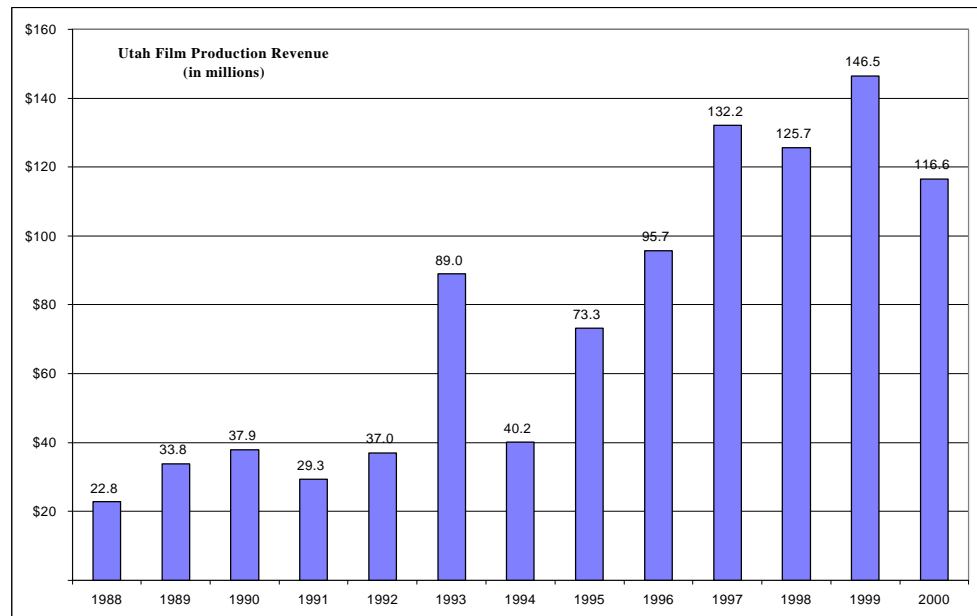
#### Recommendation

The Analyst recommends \$721,000.

	2000	2001	2002	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	716,200	724,800	716,000	(8,800)
Dedicated Credits Revenue		5,000	5,000	
Beginning Nonlapsing	42,500	98,800	98,800	
Closing Nonlapsing	(98,800)	(98,800)	(98,800)	
<b>Total</b>	<b>\$659,900</b>	<b>\$729,800</b>	<b>\$721,000</b>	<b>(\$8,800)</b>
<b>Expenditures</b>				
Personal Services	369,900	437,400	428,600	(8,800)
In-State Travel	7,700	7,700	7,700	
Out of State Travel	23,900	27,100	24,200	(2,900)
Current Expense	201,400	176,100	203,500	27,400
DP Current Expense	6,500	6,500	6,500	
Other Charges/Pass Thru	50,500	75,000	50,500	(24,500)
<b>Total</b>	<b>\$659,900</b>	<b>\$729,800</b>	<b>\$721,000</b>	<b>(\$8,800)</b>
<b>FTE/Other</b>				
Total FTE	8	8	8	

#### Purpose

This program promotes Utah as a site for film and commercial production and the use of Utah production companies and professionals. It is a Sundance Film Festival sponsor.





**Activity**

Utah ranks as one of the top ten locations in the United States for film production. At \$116,600,000, fiscal year 2000 marked the forth-consecutive year that film production in Utah has contributed more than \$100,000,000 to the state's economy. Utah and all other states face stiff competition from the incentives offered by Canada and New Zealand

The Sundance Film Festival added another \$36.2 million to the economy and an opportunity to show off the state to filmmakers and journalists as 16,000 industry representatives visited Utah.

Eighteen feature films were shot in Utah including Mission Impossible II, The Way of the Gun, Squelch, and Anasazi Moon. CBS's Touched by an Angel returned for its sixth season, and USA's Huntress pilot was shot in Utah. The state is still a favorite for commercials.

The Office helped the BLM re-draft training materials for filming on location and presented a two-day televised seminar for BLM district offices throughout the country.

Coordinated the participation of the Legislature, film industry, Tax Commission, county assessors, county officials, and the Salt Lake Organizing Committee to correct the Transient Property Tax issue as it affects the film industry.

The Office met with officials of the 2002 Winter Olympic opening and closing ceremonies to encourage the use of Utah professionals and support services. Contacted all advertising agencies representing Olympic sponsors. Sponsors have begun filming commercials in Utah for the 2002 Olympics. The Film Commission is helping NBC, ISB, and other entities working on the Olympic broadcast and ancillary film and television projects.

The Film Commission created and mailed a Utah film industry newsletter to over 2,000 crew and support services. They also created a new web site. The Utah Travel Council scenic calendar was sent to 2,200 potential and former clients.

### 3.3 International Development

**Recommendation** The Analyst recommends \$1,198,500.

	2000	2001	2002	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	1,195,200	1,201,100	1,188,500	(12,600)
Dedicated Credits Revenue		10,100	10,000	(100)
Beginning Nonlapsing	308,700	305,100	305,100	
Closing Nonlapsing	(305,100)	(305,100)	(305,100)	
<b>Total</b>	<b>\$1,198,800</b>	<b>\$1,211,200</b>	<b>\$1,198,500</b>	<b>(\$12,700)</b>
<b>Expenditures</b>				
Personal Services	543,000	631,000	618,400	(12,600)
In-State Travel	12,800	12,800	12,800	
Out of State Travel	76,800	82,600	59,000	(23,600)
Current Expense	467,100	358,400	421,900	63,500
DP Current Expense	36,400	46,400	36,400	(10,000)
DP Capital Outlay	13,700			
Other Charges/Pass Thru	49,000	80,000	50,000	(30,000)
<b>Total</b>	<b>\$1,198,800</b>	<b>\$1,211,200</b>	<b>\$1,198,500</b>	<b>(\$12,700)</b>
<b>FTE/Other</b>				
Total FTE	9	9	9	

**Purpose** This program develops export business and foreign investment in Utah.

Almost \$4 billion of gross revenue generated within the state comes from the sale of Utah products and services to over 120 foreign markets. Utah partners with organizations in 25 countries that represent over 80 percent of the world's economy and population.

**Performance and Activity**

They maintain an extensive foreign market information system posted to the Internet. More than 1,250 Utah business people attended the Utah Global Business Network Reception.

Utah became the first state to open direct trade links with India. Exports to India are approximately \$4,000,000. This is an important first step in strengthening trade links. Lt. Governor Olene Walker has been named trade counselor.

The office trained leaders from more than 1,500 Utah companies, and almost 500 participated in one-on-one meetings with international trade officials. Key countries included Canada, Taiwan, Thailand, South Africa, Vietnam, Japan, Mexico, South Korea, New Zealand, Ukraine, Germany, Egypt, and China.

More than 500 Utah business leaders traveled as part of 27 trade delegations.

149 companies shared booths with the International Office in ten of the world's top trade shows in Germany, Mexico , Cuba, South Korea, Israel, Brazil, China, Taiwan, and the United States.

Required by many countries, the Office produced and notarized 2,023 Certificates of Free Sale for foreign governments on behalf of Utah companies.

**Olympic Initiatives.** The Office is partnering with Utah companies to invite targeted businesses, trade, expansion, and investment partners to Utah for a two-day pre-Olympic “behind the scenes” VIP tour, business luncheon, and a series of working meetings with host Utah businesses. Foreign countries are being encouraged to include value-added trade development centers before, during, and after the Games.

### 3.4 National Development

**Recommendation** The Analyst recommends \$480,700.

	2000	2001	2002	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	536,500	449,900	466,200	16,300
Dedicated Credits Revenue	(100)	14,500	14,500	
Beginning Nonlapsing	5,800	10,000	10,000	
Closing Nonlapsing	(10,000)	(10,000)	(10,000)	
<b>Total</b>	<b>\$532,200</b>	<b>\$464,400</b>	<b>\$480,700</b>	<b>\$16,300</b>
<b>Expenditures</b>				
Personal Services	366,000	367,500	358,700	(8,800)
In-State Travel	14,700	12,300	16,000	3,700
Out of State Travel	32,100	24,700	27,700	3,000
Current Expense	101,300	51,800	70,200	18,400
DP Current Expense	8,100	8,100	8,100	
Other Charges/Pass Thru	10,000			
<b>Total</b>	<b>\$532,200</b>	<b>\$464,400</b>	<b>\$480,700</b>	<b>\$16,300</b>
<b>FTE/Other</b>				
Total FTE	5	5	5	

**Purpose** This program recruits new, relocating or expanding businesses to Utah.

**Activity** Utah is competing to be one of the finalists in the next-generation space shuttle program, NASA/Venture Star. National has organized several counties to compete for this project. The project has been delayed by NASA due to technical problems.

**Silicon Valley Alliance** In Silicon Valley there is a shortage of workers, housing is very expensive, and the highways are congested. By air, Utah is close-by and has an excellent airport, an excellent, highly educated workforce, a near-by infrastructure of higher education institutions, and an existing base of hardware and software companies. The original Silicon Valley Initiative is an attempt to get high-tech Silicon Valley companies to expand to Utah. The Governor's \$1,350,000 proposed expansion of the Silicon Initiative has several parts:

\$500,000 for high-tech business incubator buildings in rural Utah.  
 \$460,000 for marketing the Wasatch Front to Silicon Valley companies.  
 \$250,000 to market rural Utah to Silicon Valley companies.  
 \$100,000 for an office in Silicon Valley  
\$40,000 for DCED staff.  
\$1,350,000

The Analyst believes that it is too early to market rural Utah directly to Silicon Valley businesses. The infrastructure of airport, higher education facilities, and the existing base of hardware and software companies is along the Wasatch front. The first step is to get them to Utah. If funding were available, the Analyst would recommend \$600,000 as follows:

\$460,000 for marketing the Wasatch Front to Silicon Valley companies.

\$100,000 for an office in Silicon Valley

\$40,000 for DCED staff.

\$600,000

### 3.5 Advertising and Promotion

**Recommendation**      The Analyst recommends \$234,300.

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>Est/Analyst</b>
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	229,300	236,000	234,300	(1,700)
Beginning Nonlapsing	168,500	243,300	243,300	
Closing Nonlapsing	(243,300)	(243,300)	(243,300)	
<b>Total</b>	<b>\$154,500</b>	<b>\$236,000</b>	<b>\$234,300</b>	<b>(\$1,700)</b>
<b>Expenditures</b>				
Personal Services	57,300	71,600	69,900	(1,700)
In-State Travel	300	1,200	1,200	
Out of State Travel	2,400	4,400	4,400	
Current Expense	94,200	157,300	157,300	
DP Current Expense	300	1,500	1,500	
<b>Total</b>	<b>\$154,500</b>	<b>\$236,000</b>	<b>\$234,300</b>	<b>(\$1,700)</b>
<b>FTE/Other</b>				
Total FTE	1	1	1	

**Purpose**      This program handles all division advertising.

### 3.6 Business Development

**Recommendation** The Analyst recommends \$1,172,900. The Division has moved funds into this program in FY 2001 from others to strengthen the Business Expansion and Retention (BEAR) program.

	2000	2001	2002	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
General Fund	1,127,500	1,318,400	1,132,800	(185,600)
Dedicated Credits Revenue	26,200	40,100	40,100	
Beginning Nonlapsing	376,800	234,100	234,100	
Closing Nonlapsing	(234,100)	(234,100)	(234,100)	
<b>Total</b>	<u>\$1,296,400</u>	<u>\$1,358,500</u>	<u>\$1,172,900</u>	<u>(\$185,600)</u>
<b>Expenditures</b>				
Personal Services	549,300	592,800	578,700	(14,100)
In-State Travel	21,400	22,400	22,400	
Out of State Travel	18,800	21,000	1,900	(19,100)
Current Expense	72,200	76,000	68,000	(8,000)
DP Current Expense	25,800	11,900	11,900	
Other Charges/Pass Thru	608,900	634,400	490,000	(144,400)
<b>Total</b>	<u>\$1,296,400</u>	<u>\$1,358,500</u>	<u>\$1,172,900</u>	<u>(\$185,600)</u>
<b>FTE/Other</b>				
Total FTE	8	8	8	

**Purpose** This program helps Utah businesses stay and grow within the state. Internal growth is Utah's major source of new jobs. The program also publishes the Utah Directory of Business and Industry and the pamphlet "Going Into Business in Utah".

It manages the contracts or serves as liaison for the Rural Development Council, and the Small Business Development Centers. The program provides planning assistance to the Governor's 21<sup>st</sup> Century Community Program. The program trains local government economic development professionals.

The Rural Development Council identifies and coordinates rural resources. It is a federal program with \$32,000 in state matching funds. Only the State's portion of the funding is shown in this budget because the federal funds are appropriated directly to the University of Utah where they are passed on to the Rural Development Council.

The Small Business Development Centers provide one-stop information in cooperation with Higher Education, DCED, Utah Technology Finance Corporation, and the Federal Small Business Administration.

Eighty percent of the new jobs created every year in Utah come from the growth and expansion of existing businesses. The Business Expansion And Retention (BEAR) Program works to maintain Utah's existing businesses and help them with expansion. Enterprise Zones offer tax credits for job creation and investment in plant and equipment for businesses locating in their boundaries. Recycling Market Development Zones offer tax credits to recycling businesses for investment and job creation.

**Small Business  
Development  
Centers Funding  
Increase**

Demand for services from the Small Business Development Centers has increased. The Analyst would recommend an additional \$163,000 in ongoing funds if funding were available. These funds would be distributed to the ten regional centers. From 1996-98, SBDC consultations assisted in the generation of more than \$77.2 million in increased sales and the creation of 1,224 new jobs. The Centers do not receive COLA adjustments as do other service providers. They have reduced operating budgets over the years.

**Performance and Activity Measures**

The BEAR program worked with local economic development officials to visit an average of seventy businesses per month during FY 2000.

This program helps fund the Utah Small Business Development Centers. Last year the centers counseled with 2,149 Utah business owners and held 358 training seminars that trained 5,391.

As part of the Olympic marketing initiative the program is partnering with Utah businesses to assist them in marketing the state to their customers and suppliers. The Business Development program is also hosting Olympic Venue and participating in pre-Olympic events to showcase Utah's positive business climate

The Office dedicated one staff member full-time to serve as the Executive Director of the Utah Heritage Products Alliance. This non-profit group was formed to promote the southern section of U.S. 89 as the Heritage Highway.

Twelve new Enterprise Zones were designated during FY 2000 increasing the statewide number to 31. There was \$13.3 million in new investments through the Recycling Market Development Zones program.

With the Utah Alliance for Economic Development and Utah Small Cities, the program trained local economic development professionals in six sessions held throughout the state.



### 3.7 Procurement Technical Assistance

**Recommendation** The Analyst recommends \$837,600.

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>Est/Analyst</b>
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	541,000	545,000	537,600	(7,400)
Federal Funds	280,600	307,000	300,000	(7,000)
Beginning Nonlapsing	2,600	7,000	7,000	
Closing Nonlapsing	(7,000)	(7,000)	(7,000)	
<b>Total</b>	<b>\$817,200</b>	<b>\$852,000</b>	<b>\$837,600</b>	<b>(\$14,400)</b>
<b>Expenditures</b>				
Personal Services	409,600	463,800	456,400	(7,400)
In-State Travel	4,700	4,800	4,800	
Out of State Travel	28,300	28,600	25,600	(3,000)
Current Expense	138,000	126,000	115,000	(11,000)
DP Current Expense	9,600	8,800	8,800	
Other Charges/Pass Thru	227,000	220,000	227,000	7,000
<b>Total</b>	<b>\$817,200</b>	<b>\$852,000</b>	<b>\$837,600</b>	<b>(\$14,400)</b>
<b>FTE/Other</b>				
Total FTE	7	7	7	

**Purpose** This program helps Utah firms get more government and commercial business. Working with the Associations of Governments it provides technical assistance, facilities, and information.

**FY 2000 Accomplishments** They helped Utah companies find, apply for, and win 875 (up from 696) contracts valued at about \$200,000,000. They participated in 32 conferences or seminars that helped train over 2,500 people. They maintain a client base of nearly 700 companies. The center sponsored booths at three of the world's most prominent aerospace technology trade shows, helping six Utah companies attend at a reduced cost.

### 3.8 Technology Development

**Recommendation**      The Analyst recommends \$452,800.

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>Est/Analyst</b>
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	423,400	555,500	448,800	(106,700)
Dedicated Credits Revenue		4,000	4,000	
Beginning Nonlapsing	575,700	487,700	487,700	
Closing Nonlapsing	(487,700)	(487,700)	(487,700)	
<b>Total</b>	<b>\$511,400</b>	<b>\$559,500</b>	<b>\$452,800</b>	<b>(\$106,700)</b>
<b>Expenditures</b>				
Personal Services	334,200	275,600	268,900	(6,700)
In-State Travel	2,100	2,400	2,400	
Out of State Travel	9,700	10,200	10,200	
Current Expense	23,600	26,300	26,300	
DP Current Expense	7,300	5,600	5,600	
Other Charges/Pass Thru	134,500	239,400	139,400	(100,000)
<b>Total</b>	<b>\$511,400</b>	<b>\$559,500</b>	<b>\$452,800</b>	<b>(\$106,700)</b>
<b>FTE/Other</b>				
Total FTE	5	4	4	

**Purpose**

This program develops high tech businesses and provides administrative support to the Centers of Excellence program. It works with the Utah Small Business Development Centers, the Wayne Brown Institute (formerly the Utah Innovation Foundation), and technology transfer offices at Utah's universities.

### 3.9 Centers of Excellence

#### Recommendation

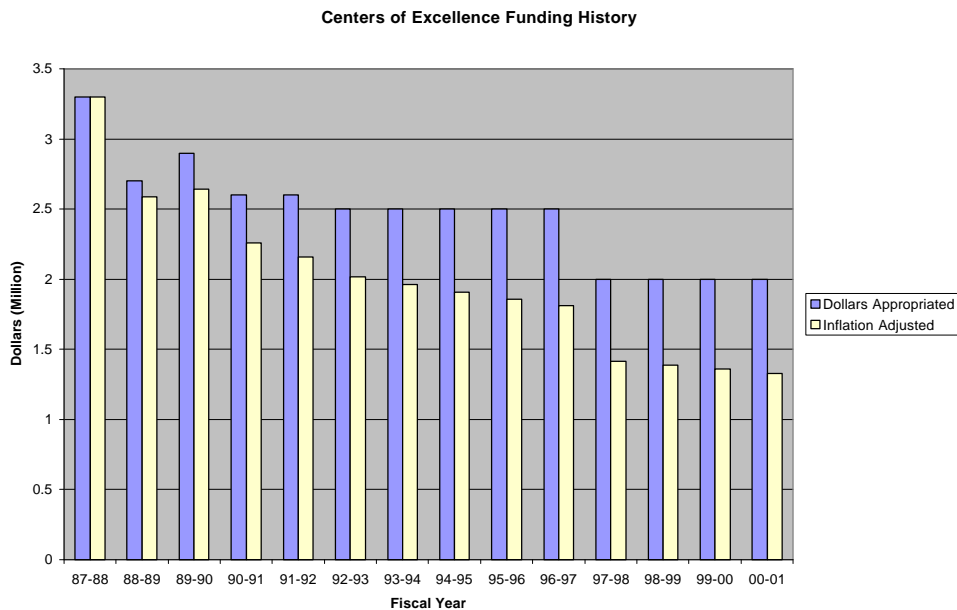
The Analyst recommends a budget of \$2,000,000. The Analyst would recommend an increase if more funds were available.

	2000	2001	2002	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
General Fund	2,000,000	2,000,000	2,000,000	
Beginning Nonlapsing	606,000	580,700	580,700	
Closing Nonlapsing	(580,700)	(580,700)	(580,700)	
<b>Total</b>	<b>\$2,025,300</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>	<b>\$0</b>
<b>Expenditures</b>				
Other Charges/Pass Thru	2,025,300	2,000,000	2,000,000	
<b>Total</b>	<b>\$2,025,300</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>	<b>\$0</b>
<b>FTE/Other</b>				

#### Purpose

The Centers of Excellence Program commercializes research through university-industry cooperation. It provides matching funds for interdisciplinary applied research and development done at Utah's universities and colleges. Utah has twenty-two active Centers at four universities and three colleges. The program is modeled after the National Science Foundation's University-Industry Cooperative Research Centers program that created 25 centers throughout the country.

#### Inflation Adjusted Funding History



**Program  
Performance**

Since the creation of the program in 1986 the program has received \$32,300,000 in state funds, matching funds of \$345,000,000 resulting in a matching ratio of 10.7 to one. This is the highest in the nation.

Over the life of the program, centers have accounted for 110 patents, and 173 license agreements. They have created 126 new high technology companies. The program has reduced planning grants from \$10,000 to \$5,000 to fund more potential centers and they require a greater focus on market analysis.

Recent new ventures in Utah that have strong ties to center-developed technologies:

**Bionic Technologies Inc.** manufactures products for medical research focused on the nervous system.

**Echelon Research Laboratories** manufactures specialty biochemicals and kits for research in cell signaling.

**One Stop Satellite Solutions Inc.** develops low-earth orbit satellites that have the capacity to reduce mission costs and increase mission capabilities

**GeoChem Metrix Inc.** specializes in chemical fingerprinting services for environmental forensics.

**Milltech Engineering Co.** develops simulation software for the mining industry.

**Visionary Products Inc.** develops portable robotic platforms

**FY 2000 Funded Centers**

\* **Advanced Joining of Materials** at **BYU**. Friction Stir Welding joins metals and plastics without melting the materials, without adding material, and forms a joint that is virtually undetectable from the surrounding materials.

**Advanced Structural Composites** at **BYU**. Developing fiber reinforced ultra-lightweight composites with improved strength, stiffness, damping, and acoustical performance. Core technologies are the "IsoTruss" shape and enhanced wavy composite material. Targeted applications are aerospace, automotive, support towers, heavy construction support members, and preformed concrete beams. They have started a new business, Patterned Fiber Composites, Inc. which has been awarded a \$950,000 Phase II SBIR contract from the USAF.

**Asynchronous Circuit and System Design** at **UU**.

Developing software design tools that will allow engineers to efficiently design digital circuits that do not require global clocking circuits. The Center has filed its first patent application representing nearly 100 claims and is considered a major invention. They are collaborating with IBM, Sonic Innovations and received a major grant from the National Science Foundation.

\* **Biomedical Optics** at **UU**. The Center develops new optical and laser instrumentation to detect specific chemicals in human tissue. Concurrently a new method for optical imaging is being developed. A specialized laser radiation technique is being developed to treat certain cancers.

**Biomolecular Technologies at UU.**

Developing technologies to efficiently detect rearrangements in the human genome. This would allow the detection of cancer before the appearance of any of the usual symptoms. They expect to form a company in 2001.

**Cell Signaling at UU.**

Developing a new class of pharmaceuticals that artificially signal selected cells in the body to perform properly. Diseases that are caused by improper signal are cancer, allergies, asthma and inflammation. The Center has 18 faculty members from eight departments and three universities (UU, BYU, USU). Center faculty have filed 26 invention disclosures and seven patents. They have spun-off a new company called Salus Therapeutics, Inc this year and Echelon Research Laboratories last year. Combined, they have received over \$1,850,000 in SBIR and STTR awards.

**\* Compliant Mechanisms at BYU.** The Center designs methods to accelerate and streamline the design of complex mechanical parts in a way that reduces the number of parts, simplifies the manufacturing process, reduces costs and ends up with a more reliable and wear resistant device.

**Dairy Technology Commercialization at USU.**

This Center was created to commercialize technologies developed at the Western Dairy Center. They have licensed DSM Food Specialties to use *Brevibacteria* as a flavor adjunct for Cheddar cheese. They have disclosed two inventions and filed a patent and received another. They started a new company, Shepherds Goat and Sheep Products.

**\* Electronic Medical Education at UU.** This center commercializes images intensive applications software created by Electronic Medical Education Resource Group for medical institutions and practitioners via the internet.

**Harsh Environment Electronics at UU.**

This Center is developing electronic devices and circuits that operate in harsh environments and at red hot temperatures. They are working on Gallium arsenide based electronics, vacuum microelectronics, and microminiature thermionic converters. The center also provides services: prototyping and testing, development of conventional and novel microelectronics and micromachined technologies, development of high temperature electronics, sensors, and systems, development tools. The Center has been installing a computer controlled, pilot-line gallium arsenide circuit fabrication facility. A new company was established to develop flat panel display technology.

**Intelligent Computer Tools at BYU.**

This Center develops intelligent computer tools that create, manipulate, and present digital images. The Center's intelligent scissors and color quantization software was licensed to Adobe Systems, Inc. The direct surface (Patch) rendering software was licensed to S3 Corp. The terrain database for the Virtual Olympics was expanded.

**Neural Interfaces at UU.** This Center is set-up to transform neuroprosthetic technologies developed by the Moran Laboratories for Applied Visual and Neural Science into prototype systems for future clinical applications. The long-range goal is to provide limited but functional sight to the blind, hearing to the deaf, or mobility to victims of high spinal cord injuries. They have disclosed five inventions. Pilot studies of the human cortex in quadriplegic and paraplegic are in progress. The Center has spun-off a company called Bionic Technologies, Inc. which has received \$1,700,000 in SBIR awards.

**\* Rapid Microb Detection at USU.** This Center is developing technologies that can detect less than 10 cells of a specific pathogen strain in tens of liters of a processed liquid food within 30 minutes.

**Scientific Computing and Imaging at UU.**

The Center develops sophisticated software that allows the visualization of complex engineering, scientific, and medical simulations. The Center started a company, Visual Influence, Inc. to develop applications for their SCIRun software.

**Self-organizing & Intelligent Systems at USU.**

This center investigates electronic and software systems that emulate human learning and reasoning capabilities and applies them to commercial products. The Center provides design services to Utah companies. The Center has an international reputation in the design of unmanned ground vehicles. They recently created Visionary Products, Inc. to develop a space hardened remote controlled vehicle called Red Rover for the next NASA Mars probe. These vehicles are uniquely suitable for use in agriculture, hazardous environments, and military applications. They were awarded a major Department of Defense contract.

**Solid Oxide Fuel Cell Technology at UU.**

The Center is developing a solid oxide fuel cell which will convert energy from natural or coal gas (and other fuels) directly into electricity at very high efficiency with no flame, no moving parts, no noise, and only water vapor as an exhaust. The center has been successful in winning federal and institutional grants and has filed for four new patents.

**\* New Centers**

### **3.10 Veterans Affairs**

During the 2000 General Session, HB 140, Reorganization of Veteran-Related Programs, was passed and signed into law. The bill makes the Office of Veterans' Affairs a division and transfers supervision from the Department of Community and Economic Development to the Utah National Guard. The effective date is FY 2001. This means that the committee will not consider a budget for FY 2002 but there will be a supplemental to make the change.

### 3.11 Special Opportunities

**Recommendation**      The Analyst recommends \$50,000.

	2000	2001	2002	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	50,000	50,000	50,000	
Beginning Nonlapsing	56,600	74,100		(74,100)
Closing Nonlapsing	(74,100)			
<b>Total</b>	<b>\$32,500</b>	<b>\$124,100</b>	<b>\$50,000</b>	<b>(\$74,100)</b>
<b>Expenditures</b>				
Other Charges/Pass Thru	32,500	124,100	50,000	(74,100)
<b>Total</b>	<b>\$32,500</b>	<b>\$124,100</b>	<b>\$50,000</b>	<b>(\$74,100)</b>
<b>FTE/Other</b>				

**Purpose**      These funds allow the Division to take advantage of unforeseen economic development opportunities. The Legislature restricted the use of these funds from sports activities.

**Activity**

**Intent Language**      The Analyst recommends the following intent language:

*It is the intent of the Legislature that these funds be used only for economic development opportunities.*



## 4.0 Additional Information: Business and Economic Development

### 4.1 Funding History

	1998	1999	2000	2001	2002
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>
General Fund	8,000,300	8,542,500	8,012,200	8,164,800	7,614,600
General Fund, One-time				917,200	
Federal Funds	332,700	248,600	280,600	307,000	300,000
Dedicated Credits Revenue	23,700	6,400	28,800	78,700	73,600
Olympic Special Revenue			400,000	500,000	
Transfers		24,400			
Beginning Nonlapsing	4,387,500	2,749,400	2,853,300	2,969,300	2,870,600
Closing Nonlapsing	(3,142,600)	(3,220,600)	(2,601,900)	(2,675,400)	(2,870,600)
Lapsing Balance			(195,200)		
<b>Total</b>	<b>\$9,601,600</b>	<b>\$8,350,700</b>	<b>\$8,777,800</b>	<b>\$10,261,600</b>	<b>\$7,988,200</b>
<b>Programs</b>					
Administration	1,012,900	1,460,500	1,116,600	2,332,100	840,400
Local Economic Development Initiati	342,400	292,300	172,200	195,200	
Film Commission	610,400	627,200	659,900	729,800	721,000
International Development	1,269,500	919,300	1,198,800	1,211,200	1,198,500
National Development	663,900	550,900	532,200	464,400	480,700
Advertising and Promotion	125,300	176,100	154,500	236,000	234,300
Business Development	1,240,700	1,005,300	1,296,400	1,358,500	1,172,900
Procurement Technical Assistance	858,500	782,500	817,200	852,000	837,600
Technology	1,224,200	415,700	511,400	559,500	452,800
Centers of Excellence	2,093,500	1,952,100	2,025,300	2,000,000	2,000,000
Office of Veteran's Affairs	160,300	168,800	260,800	198,800	
Special Opportunities			32,500	124,100	50,000
<b>Total</b>	<b>\$9,601,600</b>	<b>\$8,350,700</b>	<b>\$8,777,800</b>	<b>\$10,261,600</b>	<b>\$7,988,200</b>
<b>Expenditures</b>					
Personal Services	2,760,400	2,803,900	3,183,500	3,248,900	3,125,300
In-State Travel	40,400	50,500	77,400	77,200	79,800
Out of State Travel	225,500	186,600	221,900	280,400	167,500
Current Expense	2,071,800	1,695,800	1,427,500	2,123,500	1,271,400
DP Current Expense	82,600	83,300	112,500	101,100	87,300
DP Capital Outlay	18,700		13,700		
Other Charges/Pass Thru	4,402,200	3,530,600	3,741,300	4,430,500	3,256,900
<b>Total</b>	<b>\$9,601,600</b>	<b>\$8,350,700</b>	<b>\$8,777,800</b>	<b>\$10,261,600</b>	<b>\$7,988,200</b>
<b>FTE/Other</b>					
Total FTE	48	50	52	48	47

**4.2 Federal Fund**

		<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
<b>Program</b>		<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>
Procurement Outreach	<b>Federal</b>	\$280,600	\$307,000	\$300,000
Defense Logistics Agency	<b>Required State Match</b>			
	<b>Total</b>	<b>\$280,600</b>	<b>\$307,000</b>	<b>\$300,000</b>